

State of Idaho

Legislative Services Office

Individual Entity Audit Report

A communication to the Joint Finance-Appropriations Committee

EASTERN IDAHO PUBLIC HEALTH DISTRICT (VII)

FY 2008-2009

Report OP95709
Date Issued: June 24, 2010

Serving Idaho's Citizen Legislature



Idaho Legislative Services Office
Legislative Audits Division

Don H. Berg, Manager

EASTERN IDAHO PUBLIC HEALTH DISTRICT (VII)

SUMMARY

PURPOSE OF AUDIT REPORT

We have audited the financial statements of the Eastern Idaho Public Health District (VII) for the fiscal years ended June 30, 2008 and 2009, in accordance with auditing standards generally accepted in the United States of America. The purpose of our audit is to determine whether the District's financial statements are materially accurate and reliable, and that it complied with laws and regulations affecting fiscal operations.

CONCLUSION

We conclude that the District's financial statements are materially accurate and reliable, and fiscal operations materially comply with related laws and regulations. As a result, we issued an unqualified opinion on the District's financial statements.

FINDINGS AND RECOMMENDATIONS

There is one finding and recommendation in this report.

Finding 2009S-1 – Internal control weaknesses exist in the process for preparing the financial statements, note disclosures, and the Schedule of Expenditures of Federal Awards (SEFA).

The complete finding and recommendation is detailed on pages 27 and 28.

PRIOR FINDING AND RECOMMENDATION

There was one finding and recommendation in the prior report. The complete finding and recommendation status is detailed on page 30.

Prior Finding 2007S-1 – Internal control weaknesses exist in the process for preparing the financial statements and note disclosures. **Status: CLOSED**

A copy of this report is available online at: <http://www.legislature.idaho.gov/audit>.

AGENCY RESPONSE

The District has reviewed the report and is in general agreement with its contents.

OTHER INFORMATION

We discussed other issues which, if changed, would improve internal control, compliance, and efficiency.

This report is intended solely for the information and use of the State of Idaho, the Eastern Idaho Public Health District and the District's Board, and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the director, Richard Horne, and his staff.

ASSIGNED STAFF

Eugene Sparks, CPA, CGFM, Managing Auditor

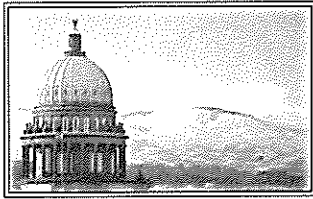
Patrick Aggers, CPA, In Charge Auditor

Sally Fong-Rocha, Staff Auditor

Jolene Crumley, Staff Auditor

TABLE OF CONTENTS

Independent Auditor's Report – Unqualified Opinion on Basic Financial Statements.....	1
<u>Basic Financial Statements</u>	
Statement of Net Assets.....	3
Statement of Activities	4
Balance Sheet – Governmental Fund and Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets	5
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities.....	6
Notes to Financial Statements.....	7
<u>Required Supplementary Information</u>	
Schedule of Revenues and Expenditures – Budget to Actual – Governmental Fund	17
Note to Required Supplementary Information.....	19
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with <i>OMB Circular A-133</i>	22
Schedule of Expenditures of Federal Awards.....	24
Notes to Schedule of Expenditures of Federal Awards	26
Schedule of Findings and Questioned Costs.....	27
Agency Response.....	29
Prior Findings and Recommendations	30
Appendix.....	31



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

June 24, 2010

Unqualified Opinion on
Basic Financial Statements

Independent Auditor's Report

Richard Horne, Director
Eastern Idaho Public Health District (VII)
1250 Hollipark Drive
Idaho Falls, ID 83401

Robert Cope, Chair
District VII Board of Health
1610 Main Street
Salmon, ID 83467

Dear Mr. Horne and Mr. Cope:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the Eastern Idaho Public Health District (VII), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the major fund and the remaining fund information of the District as of June 30, 2008 and 2009, and the respective changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

Don H. Berg, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

Statehouse, P.O. Box 83720
Boise, Idaho 83720-0054

Tel: 208-334-2475
www.legislature.idaho.gov

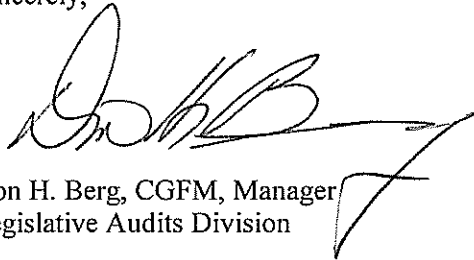
In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2010, on our consideration of the District's internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered when assessing the results of our audit.

The District has not presented the Management Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information on pages 17 and 18 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by *OMB Circular A-133*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sincerely,

A handwritten signature in black ink, appearing to read 'Don H. Berg', with a long horizontal flourish extending to the right.

Don H. Berg, CGFM, Manager
Legislative Audits Division

STATE OF IDAHO
EASTERN IDAHO PUBLIC HEALTH DISTRICT (VII)
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008 AND 2009

	June 30,2008 Governmental Activities	June 30,2009 Governmental Activities
ASSETS		
Cash	\$125,466	\$204,551
Investments	2,583,146	2,578,221
Accounts Receivable	934,271	795,999
Prepaid Expense	165,200	158,592
Restricted Investments (Restricted for Debt Retirement)	160,200	159,318
Capital Assets:		
Nondepreciable	368,142	368,142
Depreciable, Net of Accumulated Depreciation	7,217,240	6,995,425
Total Assets	<u>\$11,553,665</u>	<u>\$11,260,248</u>
LIABILITIES		
Accounts Payable	\$21,451	\$42,605
Payroll and Benefits Payable	189,409	205,337
Unearned Revenue	237,456	27,319
Non-Current Liabilities:		
Due Within One Year	339,163	303,229
Due in More than One Year	1,895,721	1,869,751
Total Liabilities	<u>\$2,683,200</u>	<u>\$2,448,241</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$5,803,754	\$5,623,556
Restricted (For Debt Retirement)	160,200	159,318
Unrestricted	2,906,511	3,029,133
Total Net Assets	<u>\$8,870,465</u>	<u>\$8,812,007</u>

The accompanying notes are an integral part of the financial statements.

STATE OF IDAHO
EASTERN IDAHO PUBLIC HEALTH DISTRICT (VII)
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2008 AND 2009

<u>FISCAL YEAR 2008</u>	<u>Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expenses) Revenues and Changes in Net Assets</u>
			<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
	Governmental Activities:				
	Board of Health	\$19,511	\$0	\$0	(\$19,511)
	Family and Community Health Services	2,496,082	940,597	631,553	(923,932)
	Environmental Health Services	1,033,166	454,081	214,292	(364,793)
	Health Preparedness Promotion and Surveillance	1,268,686	17,797	1,274,959	24,070
	Nutrition	910,970	350	1,098,583	187,963
	General Support	1,341,711	2,637	0	(1,339,074)
	Interest on Debt Service	98,095	0	0	(98,095)
	Total Governmental Activities	<u>\$7,168,221</u>	<u>\$1,415,462</u>	<u>\$3,219,387</u>	<u>(\$2,533,372)</u>
	General Revenues:				
	State Appropriation				\$1,324,100
	Building Donation				569,547
	Interest Income				161,402
	County Contributions				933,851
	Special Item--Loss on Sale of Capital Assets				(546,772)
	Total General Revenues				<u>\$2,442,128</u>
	Change in Net Assets				<u>(\$91,244)</u>
	Beginning Net Assets (as restated)				<u>8,961,709</u>
	Ending Net Assets				<u><u>\$8,870,465</u></u>

<u>FISCAL YEAR 2009</u>	<u>Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expenses) Revenues and Changes in Net Assets</u>
			<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
	Governmental Activities:				
	Board of Health	\$14,861	\$0	\$0	(\$14,861)
	Family and Community Health Services	2,425,330	861,270	541,678	(1,022,382)
	Environmental Health Services	955,008	374,158	233,411	(347,439)
	Health Preparedness Promotion and Surveillance	1,394,793	28,168	1,399,392	32,767
	Nutrition	1,027,978	0	1,295,030	267,052
	General Support	1,257,600	4,187	0	(1,253,413)
	Interest on Debt Service	95,087	0	0	(95,087)
	Total Governmental Activities	<u>\$7,170,657</u>	<u>\$1,267,783</u>	<u>\$3,469,511</u>	<u>(\$2,433,363)</u>
	General Revenues:				
	State Appropriation				\$1,313,200
	Gain on Sale of Capital Assets				8,993
	Interest Income				90,831
	County Contributions				961,881
	Total General Revenues				<u>\$2,374,905</u>
	Change in Net Assets				<u>(\$58,458)</u>
	Beginning Net Assets				<u>8,870,465</u>
	Ending Net Assets				<u><u>\$8,812,007</u></u>

The accompanying notes are an integral part of the financial statements.

STATE OF IDAHO
EASTERN IDAHO PUBLIC HEALTH DISTRICT (VII)
BALANCE SHEET
GOVERNMENTAL FUND
AS OF JUNE 30, 2008 AND 2009

	June 30, 2008	June 30, 2009
	Special	Special
	Revenue	Revenue
	Fund	Fund
ASSETS		
Cash	\$125,466	\$204,551
Investments	2,583,146	2,578,221
Accounts Receivable	934,271	795,999
Prepaid Expense	165,200	158,592
Restricted Investments (Restricted for Debt Retirement)	160,200	159,318
Total Assets	<u>\$3,968,283</u>	<u>\$3,896,681</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$21,451	\$42,605
Payroll and Benefits Payable	189,409	205,337
Deferred Revenue	484,405	249,990
Total Liabilities	<u>\$695,265</u>	<u>\$497,932</u>
Fund Balances		
Reserved for:		
Prepaid Items	\$165,200	\$158,592
Debt Retirement	160,200	159,318
Unreserved Special Revenue Fund	2,947,618	3,080,839
Total Fund Balance	<u>\$3,273,018</u>	<u>\$3,398,749</u>
Total Liabilities and Fund Balance	<u>\$3,968,283</u>	<u>\$3,896,681</u>

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
SHEET TO THE STATEMENT OF NET ASSETS

Total Fund Balances for Governmental Funds	\$3,273,018	\$3,398,749
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and are, therefore, not reported in the funds.	7,585,382	7,363,567
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	246,949	222,671
Long-term liabilities are not due and payable in the current period and are, therefore, not reported in the funds. This consists of compensated absences and the long term loan payable.	<u>(2,234,884)</u>	<u>(2,172,980)</u>
Net assets of governmental activities	<u>\$8,870,465</u>	<u>\$8,812,007</u>

The accompanying notes are an integral part of the financial statements.

STATE OF IDAHO
EASTERN IDAHO PUBLIC HEALTH DISTRICT (VII)
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008 AND 2009

	Year Ended June 30, 2008			Year Ended June 30, 2009		
	Special Fund 0290	Non-Major Millennium Fund 0499	Total Governmental Funds	Special Fund 0290	Non-Major Millennium Fund 0499	Total Governmental Funds
REVENUES						
Health and Professional Services	\$1,384,964	\$0	\$1,384,964	\$1,214,853	\$0	\$1,214,853
Interest	161,402	0	161,402	90,831	0	90,831
Federal Grants	2,685,103	0	2,685,103	3,177,713	0	3,177,713
State Grants	463,484	0	463,484	220,198	0	220,198
City/County Grants	933,851	0	933,851	961,881	0	961,881
Miscellaneous Revenue	53,426	0	53,426	77,208	0	77,208
General Fund Support	1,324,100	70,800	1,394,900	1,313,200	71,600	1,384,800
Total Revenues	\$7,006,330	\$70,800	\$7,077,130	\$7,055,884	\$71,600	\$7,127,484
EXPENDITURES						
Current						
Board of Health	\$19,511	\$0	\$19,511	\$14,861	\$0	\$14,861
Family and Community Health Services	2,483,282	0	2,483,282	2,425,865	0	2,425,865
Environmental Health Services	1,023,436	0	1,023,436	959,172	0	959,172
Health Preparedness Promotion and Surveillance	1,195,231	70,800	1,266,031	1,324,676	71,600	1,396,276
Nutrition	904,090	0	904,090	1,021,854	0	1,021,854
General Support	1,138,303	0	1,138,303	1,008,849	0	1,008,849
Debt Service						
Principal	60,000	0	60,000	63,000	0	63,000
Interest	98,095	0	98,095	95,087	0	95,087
Capital Outlay	1,588,680	0	1,588,680	25,782	0	25,782
Total Expenditures	\$8,510,628	\$70,800	\$8,581,428	\$6,939,146	\$71,600	\$7,010,746
Excess (Deficiency) of Revenues Over (Under) Expenditures	(\$1,504,298)	\$0	(\$1,504,298)	\$116,738	\$0	\$116,738
OTHER FINANCING SOURCES						
Proceeds on Sale of Fixed Assets	\$509,679	\$0	\$509,679	\$8,993	\$0	\$8,993
Total other financing sources and uses	\$509,679	\$0	\$509,679	\$8,993	\$0	\$8,993
Net Change in Fund Balances	(\$994,619)	\$0	(\$994,619)	\$125,731	\$0	\$125,731
Beginning Fund Balance (as restated)	\$4,267,637	\$0	\$4,267,637	\$3,273,018	\$0	\$3,273,018
Ending Fund Balance	\$3,273,018	\$0	\$3,273,018	\$3,398,749	\$0	\$3,398,749

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

	FY 2008	FY 2009
Net Change in Fund Balances for Total Governmental Funds	(\$994,619)	\$125,731
Amounts reported for governmental activities in the Statement of Activities are different because:		
Book Value for Capital Asset Sold	(1,056,451)	0
Revenues in the Statement of Activities that do not provide current financial sources are not reported as revenues in the funds. Financial resources not included in past years that are collected are included.	(22,928)	(24,278)
The payment of long-term debt consumes current financial resources of governmental funds. However, that payment has no effect on net assets. This amount is the net effect of that difference in the treatment of long-term debt-related items.	60,000	63,000
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, these costs are allocated as depreciation expense.		
Capital Outlays	2,158,227	25,782
Depreciation	(199,280)	(247,597)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This requires an adjustment for compensated absences.	(36,193)	(1,096)
Change in Net Assets of Governmental Activities	(\$91,244)	(\$58,458)

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Health District is not a State agency. In determining how to define Eastern Idaho Public Health District for financial reporting purposes, management has considered all potential component units in accordance with *GASB Statement 14*, as amended by *GASB Statement 39*. The legislature created seven health districts throughout the State in 1970. In 1976, the legislature expressed specific intent that the districts were not to be considered State agencies, but were to be recognized as authorized governmental entities. Although the districts are not State agencies, all districts have opted to process their financial transactions through the State accounting system.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (Statement of Net Assets and the Statement of Activities) report information on all activities of the District. These activities are financed through General Fund appropriations, county contributions, federal grants, and program revenues.

The Statement of Net Assets presents the District's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. *Invested in Capital Assets, Net of Related Debt* are capital assets net of accumulated depreciation and reduced by related outstanding debt.
2. *Restricted Net Assets* result when constraints placed on net asset use are externally imposed by contributors, by law, or by enabling legislation.
3. *Unrestricted Net Assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include fees and charges paid by recipients of goods or services offered by the program. Appropriations, contributions, interest income, and other items not meeting the definition of program revenues are reported as general revenue. Immaterial differences in the statements are due to rounding.

Separate financial statements are provided for governmental funds. Individual governmental funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities are presented on the Statement of Net Assets. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under governmental fund accounting, only current assets and current liabilities are generally included on the balance sheet. Revenues are recognized when

measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the year end for sales of services, interest, federal grants, and contracts, or 90 days for county contributions. Sales of services, interest, and federal grant expenditures are considered to be susceptible to accrual. Expenditures are recorded when a liability is incurred, except for compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

The District has one major governmental fund. The Special Revenue Fund accounts for all financial resources of the District, except for those required to be accounted for in the Millennium Fund.

ASSETS, LIABILITIES, AND NET ASSETS

Cash

The District's cash is considered to be cash on hand and on deposit with the State Treasurer's Office.

Investments

Investments are reported at fair value. Additional disclosure is included in Note 3.

Accounts Receivable

Accounts receivable consist of county contributions, federal grants, and client accounts.

Inventories and Prepaid Items

The District uses the purchases method of accounting for inventory. The District uses the purchases method for all prepaid expenses that are prepaid for 12 months or less. The District has recorded one significant prepaid item (see Note 11).

Capital Assets

Purchased capital assets are reported at cost. Assets donated or acquired at bargain purchase prices from unrelated parties are reported at market value at date of donation. Assets acquired from related parties are reported at depreciated cost at time of acquisition. Only capital assets with a value of \$5,000 or greater are capitalized. Depreciation is recorded using the straight-line method over its estimated useful life as follows:

Equipment	3 – 10 years
Building/Improvements	15 – 40 years
Vehicles	7 years

Maintenance, repairs, and minor renewals are charged as operating expenses when incurred. When an asset is disposed of, accumulated depreciation is deducted from the original cost and any gain or loss arising from its disposal is credited or charged to operations.

Additional disclosures related to capital assets are provided in Note 6.

Accounts Payable

Payables in the government-wide financial statements consist primarily of short-term vendor obligations.

Unearned Revenue – Deferred Revenue

Unearned revenue is recorded when cash is received prior to being earned. Unearned revenue is reported on the government-wide statements. In the governmental fund statements deferred revenue includes unearned revenue in addition to revenue that is earned but not available. Deferred revenue also includes accounts receivable from health-services clients that are not collected in the 60 days after year end.

Non-Current Liabilities

Government-wide financial statements report long-term obligations as liabilities, with the portion payable within 12 months designated separately from the portion payable in more than 12 months. Long-term liabilities include compensated absences payable (see Note 4 for more detail) and Zions bank loan payable (see Note 8 for more detail).

Net Assets

Net assets include investments in capital assets net of related debt. Restricted assets, if any, are assets whose use is restricted by grantors, contributors, laws, or regulations. Unrestricted assets are assets that do not fall into one of those two categories.

REVENUES AND EXPENDITURES/EXPENSES

In the government-wide Statement of Activities, revenues and expenses are segregated by activity and then by function. Additionally, revenues are classified as program or general revenues. Program revenues include charges to clients or applicants for services provided and certain grants and contributions. General revenues include Idaho State appropriation, county contributions, and interest.

In the governmental fund financial statements, revenues are reported by source and expenditures are reported by function. The Special Revenue Fund is used to account for all of the District's activities except tobacco cessation, which is accounted for in the Non-Major Fund.

Special Item

Included in general revenue for fiscal year 2008, is a loss on the sale of the Idaho Falls building owned by the District. (See related party Note 9 for additional detail.)

NOTE 2. CHANGE IN ACCOUNTING PRINCIPLE – RESTATEMENT OF BEGINNING FUND BALANCE AND NET ASSETS

County Contribution Accrual

The beginning balances of accounts receivable and deferred revenues were restated to reflect a change in accounting principle for the county contribution pledge. Historically, county contributions received were reported on a cash basis, plus any outstanding county receivables recorded as of June 30 of the applicable fiscal year. The change is to comply with *GASB Statement* 33 paragraph 24 which states in part "...the applicable period for both the provider and the recipients is the provider's fiscal year and begins on the first day of that year.... The entire award should be recognized at that time." The closed beginning balance of accounts receivable at July 1, 2007, was restated by \$226,663 to accrue the total county pledge through September 30, 2007. The fund balance was restated by \$226,663.

NOTE 3. INVESTMENTS

The District participates in the State Treasurer's internal and external investment pools. The Idle Fund is an internal investment pool managed by the State Treasurer's Office on behalf of

participants. Money not needed to meet immediate operating obligations is invested in accordance with Idaho Code, Sections 67-1210 and 67-1210A. Participation in the pool is voluntary.

The District participates in the Local Government Investment Pool (LGIP) and the Diversified Bond Fund (DBF). Both are external investment pools sponsored by the State Treasurer's Office. A copy of the State's *Comprehensive Annual Financial Report (CAFR)*, including the investment pool's financial statements, is available from the Office of the State Controller, Bureau of Reporting and Review, or on the Controller's Web site (www.sco.idaho.gov).

Idaho Code, Sections 67-1210 and 67-1210A restrict the State Treasurer to certain types of investments.

A portion of the debt issued for the purpose of constructing a new Idaho Falls office is held in a debt service reserve trust by Zions Bank until the debt is paid in full. The debt service amount of \$158,371 is held as collateral against required payments until the last payment on the bonds is made. Any interest earned can be used for payments on the outstanding Zions debt. The funds are invested in the Dreyfus Treasury and Agency Cash Management Fund. The Dreyfus Treasury and Agency Cash Management Fund is rated AAA by Standard & Poor's. That fund invests 100% in repurchase agreements with one day maturities. The repurchase agreements are 100% collateralized by U.S. treasury notes, bills, strips, or other direct U.S. Treasury obligations. These investments are reported as restricted assets.

Credit Ratings

The LGIP and DBF are rated AA+ by Standard & Poor's Rating Services signifying that the portfolio holdings provide extremely strong protection against losses from credit defaults.

The District does not have a formal policy to address credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest will adversely affect the fair value of the District's investments.

The District does not have a formal policy to address interest rate risk.

The following schedule represents the District's investments in the external investment pool and mutual funds, and a distribution of their maturities at June 30, 2008 and 2009.

	<u>June 30, 2008</u>	<u>Fair Value</u>	<u>Maturity</u>
LGIP		\$1,705,274	<1 year
Diversified Bond Fund		877,872	4.6 year average
Dreyfus (mutual fund)		<u>160,200</u>	1 day average
		\$2,743,346	
	<u>June 30, 2009</u>		
LGIP		\$1,644,866	<1 year
Diversified Bond Fund		933,355	2.8 year average
Dreyfus (mutual fund)		<u>159,318</u>	1 day average
		\$2,737,539	

NOTE 4. COMPENSATED ABSENCES

The District is not part of the State, but has decided to follow State rules on compensated absences. The District employee benefits include vacation and sick leave allowances. Overtime may be earned under provisions of the Fair Labor Standards Act and State law. Overtime is commonly referred to as "compensatory time" or "comp time" since employees may take time off for the accrued overtime. For the purposes of earning and accruing overtime there are three general classes of employees:

1. Those who earn overtime at 1.5 times regular pay rates and may be paid for the overtime or take time off.
2. Those who earn overtime at the same rate as regular pay rates and may only take time off.
3. Those ineligible for overtime.

Upon termination, the following accrued leave balances are paid:

1. Vacation leave.
2. Overtime for those eligible for payment.

As of June 30, 2008 and 2009, the following compensated absences have been accrued by District employees. These amounts are reported on the government-wide financial statements. A liability for the amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation or retirement. Compensated absences are paid from the District's main operating fund.

FY 2008	
<u>Changes to Compensated Absences</u>	
Beginning Balance July 1, 2007	\$258,690
Increases	278,461
Decreases	<u>(242,267)</u>
Ending Balance June 30, 2008	<u>\$294,884</u>

The District estimates the amount due within one year is \$276,163.

FY 2009	
<u>Changes to Compensated Absences</u>	
Beginning Balance July 1, 2008	\$294,884
Increases	237,447
Decreases	<u>(236,351)</u>
Ending Balance June 30, 2009	<u>\$295,980</u>

The District estimates the amount due within one year is \$237,229.

NOTE 5. PENSION PLAN

The Public Employee Retirement System of Idaho (PERSI) was created by the Idaho State Legislature and administers the PERSI Base Plan and the PERSI Choice Plan. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible State and school district employees, the legislation provided for political subdivisions to participate by contractual agreement with PERSI.

PERSI issues publicly-available, stand-alone financial reports that include audited financial statements and required supplementary information. PERSI's annual financial reports are available on the PERSI Web site (www.persi.idaho.gov) or upon request from the PERSI office.

The Base Plan is a cost-sharing, multiple-employer defined benefit retirement plan requiring that both the member and the employer contribute. The plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability or death and to survivors of eligible members or beneficiaries.

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% of the average monthly salary for the highest consecutive 42 months.

The actuarially determined contribution requirements of the District and its employees are established and may be amended by the PERSI Retirement Board of Trustees. For the period from July 1, 2007 to June 30, 2009, the required contribution rate as a percentage of covered payroll was 6.23% for general members. The employer rate as a percentage of covered payroll was 10.39% for general members. District contributions required and paid were \$330,091, \$350,478, and \$358,015 for the years ended June 30, 2007, 2008, and 2009 respectively.

The PERSI Choice Plan is a defined contribution retirement plan. The defined contribution plan includes the 401(k) and the 414(k). Statutes governing the PERSI Choice Plan are found in Idaho Code, Title 59, Chapter 13. The 414(k) plan was established for gain-sharing allocations from the PERSI Base Plan. The gain-sharing amount (if any) is based on funding levels in the PERSI Base Plan.

The 401(k) plan is open to all active PERSI Base Plan members. Eligibility for the 414(k) gain sharing requires twelve months of active PERSI membership as defined in Idaho statutes and PERSI rules. The assets of the 401(k) and the 414(k) are commingled for investment and record keeping purposes. The other significant accounting policies are the same as the PERSI Base Plan.

Participants in the 401(k) plan can make tax-deferred contributions up to 100 percent of the gross salary less deductions and subject to the IRS annual contribution limit. Participants direct their own investment mix without restriction and may elect to change their deferral every pay period. For the audit period, no voluntary employer matching contributions have been made.

Additionally, PERSI administers the Sick Leave Insurance Reserve Fund, which collects salary-based contributions for state and school employees while employed and pays insurance premiums at retirement based on a portion of the accumulated balance of their unused sick leave. The District prefunds termination payment liabilities related to sick leave and other similar compensated absences with contributions to PERSI during active employment.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2008 and 2009 is as follows:

Governmental Activities:	Balances at July 1, 2007	Increases	Decreases	Balances at June 30, 2008
Capital Assets not being Depreciated:				
Land	\$477,121	\$58,021	\$167,000	\$368,142
Work in Progress on Building	3,429,766	0	3,429,766	0
Total Capital Assets not Being Depreciated	\$3,906,887	\$58,021	\$3,596,766	\$368,142
Capital Assets Being Depreciated:				
Buildings and Improvements	\$3,422,152	\$5,015,775	\$1,630,670	\$6,807,257
Improvements Other Than Buildings	83,900	355,299	83,900	355,299
Equipment	207,151	84,199	75,164	216,186
Vehicles	432,511	74,699	78,060	429,150
Total Capital Assets Being Depreciated	\$4,145,714	\$5,529,972	\$1,867,794	\$7,807,892
Less Accumulated Depreciation for:				
Buildings and Improvements	\$954,478	\$136,759	\$807,495	\$283,742
Improvements Other Than Buildings	36,521	6,055	37,395	5,181
Equipment	129,536	19,056	55,392	93,200
Vehicles	249,180	37,410	78,060	208,530
Total Accumulated Depreciation	\$1,369,715	\$199,280	\$978,342	\$590,653
Total Capital Assets Being Depreciated, Net	\$2,775,999	\$5,330,692	\$889,452	\$7,217,239
Governmental Activities Capital Assets, Net	\$6,682,886	\$5,388,713	\$4,486,218	\$7,585,381

Governmental Activities:	Balances at July 1, 2008	Increases	Decreases	Balances at June 30, 2009
Capital Assets not being Depreciated:				
Land	\$368,142	\$0	\$0	\$368,142
Work in Progress on Building	0	0	0	0
Total Capital Assets not Being Depreciated	\$368,142	\$0	\$0	\$368,142
Capital Assets Being Depreciated:				
Buildings and Improvements	\$6,807,257	\$0	\$0	\$6,807,257
Improvements Other Than Buildings	355,299	0	0	355,299
Equipment	216,186	0	21,334	194,852
Vehicles	429,150	25,782	59,463	395,469
Total Capital Assets Being Depreciated	\$7,807,892	\$25,782	\$80,797	\$7,752,877
Less Accumulated Depreciation for:				
Buildings and Improvements	\$283,742	\$170,183	\$0	\$453,925
Improvements Other Than Buildings	5,181	8,882	0	14,063
Equipment	93,200	21,892	21,334	93,758
Vehicles	208,530	46,640	59,463	195,707
Total Accumulated Depreciation	\$590,653	\$247,597	\$80,797	\$757,453
Total Capital Assets Being Depreciated, Net	\$7,217,239	(\$221,815)	\$0	\$6,995,424
Governmental Activities Capital Assets, Net	\$7,585,381	(\$221,815)	\$0	\$7,363,566

Depreciation is charged to General Support. In FY 2008, depreciation was \$199,280, and in FY 2009, depreciation was \$247,597.

Large decreases in capital assets during the year ended June 30, 2008, in land, buildings, and improvements other than buildings are from the sale of the Idaho Falls office building to Bonneville County. (See Note 9 for details.)

NOTE 7. OPERATING LEASES

The District leases buildings and office equipment under operating leases. They contain various renewal options, some have purchase options and some do not. Operating lease payments are recorded as expenditures of the related funds when paid or incurred. The District's total operating lease expenditures for fiscal years 2008 and 2009 was \$34,117 and \$2,800, respectively.

Future minimum lease commitments for non-cancelable operating leases as of June 30, 2009 are:

<u>Fiscal Year</u>	
2010	\$2,800
2011	2,800
2012	2,250
2013	2,200
2014	2,200
<u>2015-2018</u>	<u>8,800</u>
Total	<u>\$18,850</u>

NOTE 8. LONG-TERM DEBT

Long-Term Debt

On June 15, 2006, the District entered into an agreement with the Idaho Health Facilities Authority to finance the construction of a new office building in Idaho Falls. The Authority obtained funding through a \$2 million loan from Zions Bank, which was funded by the issuance of bonds maturing annually over 20 years. The Authority loaned these funds to the District. Under the provisions of an Indenture, the Authority assigned certain rights including the collection of the loan payments to Zions Bank. Principal payments will be made from the District to Zions Bank in annual installments beginning August 1, 2007 and concluding on August 1, 2026. Interest is payable on August 1 and February 1 of each year. The first payment of \$62,499 was made on February 1, 2007. The interest rate on the loan varies from 4.87% to 5.10%. On August 1, 2011, 2016, and 2021 the interest rate will be subject to adjustment to equal 95% of the Five-Year Advance Fixed Rate as quoted by the Seattle Federal Home Loan Bank.

<u>FY 2008</u>	
Changes to Long-Term Debt	
Beginning Balance - July 1, 2007	\$2,000,000
Increases	0
Decreases	(60,000)
Ending Balance - June 30, 2008	<u>\$1,940,000</u>

The amount due within one year is \$63,000.

<u>FY 2009</u>	
Changes to Long-Term Debt	
Beginning Balance - July 1, 2008	\$1,940,000
Increases	0
Decreases	(63,000)
Ending Balance - June 30, 2009	<u>\$1,877,000</u>

The amount due within one year is \$66,000.

Payments started in fiscal year 2007, with interest only. Future required payments as of June 30, 2009 are:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2010	\$66,000	\$91,936
2011	69,000	88,611
2012	73,000	85,089
2013	77,000	81,354
2014	80,000	77,425
2015-2019	470,000	320,139
2025-2027	440,000	33,548
Total	<u>\$1,877,000</u>	<u>\$965,223</u>

NOTE 9. RELATED-PARTY TRANSACTIONS

The membership of the District's Board of Health consists of one county commissioner from each of the counties served by the District. In fiscal year 2007, a licensed physician was added to the board. That physician had a preexisting contract with the District to provide medical services for District clients at a large discount. The contract has been disclosed to the rest of the board and continues in force. The board had agreements with two counties (Jefferson and Fremont) that involve loans from District funds to build office space for use by the District. Each quarter, the District paid each county for use of their building. In fiscal year 2008, the District acquired both buildings and stopped paying rent (see Note 10 for details).

During fiscal year 2008, the District had a loss on the sale of a capital asset when the Idaho Falls office building was sold to Bonneville County. The loss was reported as a special item in the Statement of Activities. Anticipating the eventual construction of a new District office in Idaho Falls, the existing building was appraised in April 2005. Considering the appraised value of \$728,000, and an estimated marketing period extending over a year due to significant vacancies in downtown office buildings, the District accepted Bonneville County's offer of \$500,000. The first half was paid in September 2006, and the other half was paid in September 2007. The purchase agreement allowed the District to occupy the building rent free until a new office building was completed. The District turned the building over to Bonneville County in November 2007.

NOTE 10. COUNTY BUILDING LEASED UNTIL ACQUIRED

The District rented office space from two of the eight counties it serves in fiscal year 2008. The District loaned these counties nearly one-half of the cost to build the offices, and the counties obtained Federal Community Block Grants to fund the remaining costs. The District deducted \$4,250 each quarter from the loan balance (\$17,000 per fiscal year) when paying Jefferson County rent billings. The District deducted \$4,750 each quarter from the loan balance (\$19,000 per fiscal year) when paying the Fremont County rent billings.

The District annually computed interest on the December 31 balance at a rate based on the December Local Government Investment Pool rate of return, because this is the rate of return the funds would have earned if left on deposit with the State Treasurer. The calculated amounts are recorded on a schedule maintained by the District's fiscal officer. The calculated interest amounts for fiscal years 2008 were:

<u>FY 2008</u>	
Jefferson County	\$1,934
Fremont County	<u>2,222</u>
Total	<u>\$4,156</u>

On May 1, 2008, the District acquired the Jefferson County office building that was previously being rented by the District. On June 30, 2008, the District acquired the Fremont County office building that was previously being rented by the District. Since the buildings were acquired from a related party and the original cost was known, the buildings were added to capital assets at depreciated cost. The details of each building are below.

Jefferson County Building Acquisition

Original Total Cost Land		\$23,000	
Original Total Cost Building	\$344,590		
Depreciate Building Starting December 1993 Using 40 Year Straight Line	(116,299)	228,291	
Total Depreciated Cost Basis		\$251,291	
Acquired by Purchase			
District Payment in Cash	\$34,962		
District Payment by Forgiveness of County Receivable	37,068	72,030	
Value of Building Acquired Booked as Donation			\$179,261

Fremont County Building Acquisition

Original Total Cost Land		\$35,021	
Original Total Cost Building	\$544,650		
Depreciate Building Starting July 1997 Using 40 Year Straight Line	(149,779)	394,871	
Total Depreciated Cost Basis		\$429,892	
Acquired by Purchase			
District Payment by Forgiveness of County Receivable	\$39,606	39,606	
Value of Building Acquired Booked as Donation			\$390,286
Total Value of Buildings Acquired by Donation			\$569,547

NOTE 11. PRE-PAID RENT

In fiscal year 2003, the District entered into a long-term lease for office space in Challis. The District prepaid \$198,240 for a 30-year lease with the Custer Health Care Association, Inc. The District occupied the property beginning July 2003, at which time the prepayment started being amortized. The amount amortized and balance remaining is:

Total Prepaid	\$198,240
Prior Amortized	(26,432)
Amortized FY 2008	(6,608)
Amortized FY 2009	(6,608)
Balance Remaining	<u>\$158,592</u>

NOTE 12. RECEIVABLES NOT EXPECTED TO BE REALIZED WITHIN 12 MONTHS

Included in receivables are Medicaid receivables not expected to be collected within 12 months.

For the year ended June 30, 2008	\$186,700
For the year ended June 30, 2009	\$185,600

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF IDAHO
EASTERN IDAHO PUBLIC HEALTH DISTRICT (VII)
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State	\$1,324,100	\$1,324,100	\$1,324,100	\$0
County	933,850	933,850	964,848	30,998
Contracts	2,943,709	3,398,933	3,398,358	(575)
Fees	1,286,330	1,354,330	1,430,201	75,871
Interest	91,163	124,558	139,388	14,830
Sale Assets	250,000	250,000	259,680	9,680
	<u>\$6,829,152</u>	<u>\$7,385,771</u>	<u>\$7,516,575</u>	<u>\$130,804</u>

Reconciliation to GAAP Basis Revenues:

Change in Accounts Receivable	(\$58,051)
Remove Cash Proceeds on Sale of Fixed Assets	(259,680)
Change in Deferred Revenue	(214,529)
Investment Account Mark to Market	22,015
Total GAAP Revenues	<u>\$7,006,330</u>

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Personnel Costs	\$4,939,771	\$4,939,771	\$4,820,001	\$119,770
Operating	1,636,681	2,218,432	2,015,122	203,310
Capital Outlay	3,347,902	3,347,902	1,574,506	1,773,396
Total Expenditures	<u>\$9,924,354</u>	<u>\$10,506,105</u>	<u>\$8,409,629</u>	<u>\$2,096,476</u>

Reconciliation to GAAP Basis Expenditures:

Change in Accounts Payable	(\$16,498)
Non-Cash Building Acquisition	76,674
Change in Payroll Payable	34,215
Non-Cash Rent Expense	6,608
Total GAAP Expenditures	<u>\$8,510,628</u>

The accompanying notes are an integral part of these financial schedules.

STATE OF IDAHO
EASTERN IDAHO PUBLIC HEALTH DISTRICT (VII)
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State	\$1,401,000	\$1,404,000	\$1,313,200	(\$87,800)
County	961,867	961,867	954,877	(6,990)
Contracts	3,013,804	3,113,201	3,278,845	165,644
Fees	1,432,960	1,432,960	1,321,989	(110,971)
Interest	100,616	100,616	72,066	(28,550)
Sale Assets	0	0	8,993	8,993
	<u>\$6,910,247</u>	<u>\$7,012,644</u>	<u>\$6,949,970</u>	<u>(\$59,674)</u>

Reconciliation to GAAP Basis Revenues:

Change in Accounts Receivable	(\$138,273)
Remove Cash Proceeds on Sale of Fixed Assets	(8,993)
Change in Deffered Revenue	234,415
Investment Account Mark to Market	18,765

Total GAAP Revenues

\$7,055,884

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Personnel Costs	\$5,221,567	\$5,221,567	\$4,975,719	\$245,848
Operating	1,749,680	2,161,241	1,830,957	330,284
Capital Outlay	253,000	253,000	88,782	164,218
Total Expenditures	<u>\$7,224,247</u>	<u>\$7,635,808</u>	<u>\$6,895,458</u>	<u>\$740,350</u>

Reconciliation to GAAP Basis Expenditures:

Change in Accounts Payable	\$21,151
Change in Payroll Payable	15,929
Non-Cash Rent Expense	6,608

Total GAAP Expenditures

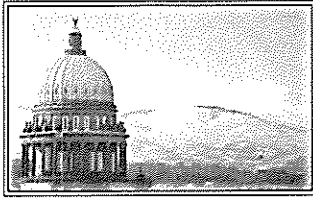
\$6,939,146

The accompanying notes are an integral part of these financial schedules.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1. BUDGET COMMITTEE

The Chairmen of the Boards of County Commissioners located within the Public Health District serve as the Budget committee of the Public Health District. The District Board of Health will submit the budget to the Budget Committee. The budget is prepared on a cash basis. The budget for the Public Health District shall be approved by a majority of the Budget Committee. Any adjustment of the budget is approved by the District Board of Health.



Legislative Services Office Idaho State Legislature

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Jeff Youtz
Director

June 24, 2010

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance
with Government Auditing Standards

Richard Horne, Director
Eastern Idaho Public Health District (VII)
1250 Hollipark Drive
Idaho Falls, ID 83401

Robert Cope, Chair
District VII Board of Health
1610 Main Street
Salmon, ID 83467

Dear Mr. Horne and Mr. Cope:

We have audited the financial statements of the governmental activities, major fund, and the remaining fund information of the Eastern Idaho Public Health District (VII) as of and for the years ended June 30, 2008 and 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 24, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

Don H. Berg, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

20

Statehouse, P.O. Box 83720
Boise, Idaho 83720-0054

Tel: 208-334-2475
www.legislature.idaho.gov

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies that are also considered to be material weaknesses. We consider the deficiency described in Finding 09S-1 in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal controls over financial reporting. We also consider this significant deficiency to be a material weakness.

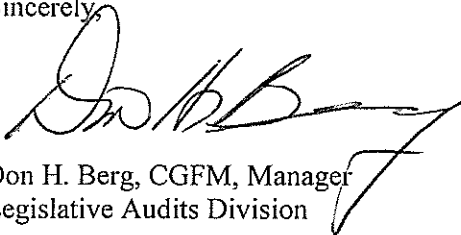
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

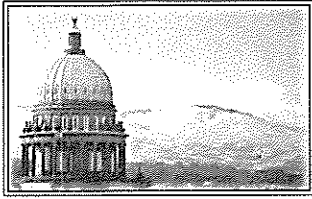
We noted certain other matters that we have reported to the management of the District in a separate letter.

This report is intended solely for the information and use of the State of Idaho, Eastern Idaho Public Health District (VII), and the District's Board, and is not intended to be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink, appearing to read "Don H. Berg", with a stylized flourish extending from the end.

Don H. Berg, CGFM, Manager
Legislative Audits Division



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

June 24, 2010

Independent Auditor's Report on Compliance with
Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in
Accordance with OMB Circular A-133

Richard Horne, Director
Eastern Idaho Public Health District (VII)
1250 Hollipark Drive
Idaho Falls, ID 83401

Robert Cope, Chair
District VII Board of Health
1610 Main Street
Salmon, ID 83467

Dear Mr. Horne and Mr. Cope:

Compliance

We have audited the compliance of the Eastern Idaho Public Health District (VII) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended June 30, 2008 and 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements, and performing such other procedures that we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2008 and 2009.

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

Don H. Berg, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

Internal Control Over Compliance

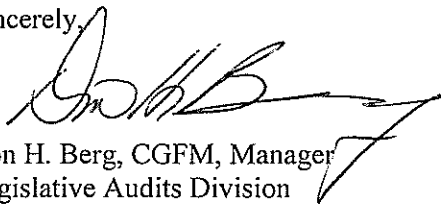
The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct, material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on the internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management of Eastern Idaho Public Health District (VII), and the federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink, appearing to read 'Don H. Berg', with a long horizontal flourish extending to the right.

Don H. Berg, CGFM, Manager
Legislative Audits Division

STATE OF IDAHO
EASTERN IDAHO PUBLIC HEALTH DISTRICT (VII)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2009

Program Title	Federal CFDA	Contract Number	Pass-Through Entities	Federal Expenditure FY 08	Federal Expenditures FY 09	Total Federal Expenditures
<u>U.S. DEPT. OF AGRICULTURE</u>						
Special Supplemental Nutrition Program for Women Infants, and Children (WIC)	10.557	HC557900	1	\$282,705	\$0	\$282,705
Special Supplemental Nutrition Program for Women Infants, and Children (WIC)	10.557	HC557300	1	815,878	321,208	1,137,086
Special Supplemental Nutrition Program for Women Infants, and Children (WIC)	10.557	HC626600	1	0	973,822	973,822
Total CFDA 10.557				\$1,098,583	\$1,295,030	\$2,393,613
TOTAL U.S. DEPT. OF AGRICULTURE				\$1,098,583	\$1,295,030	\$2,393,613
<u>DEPT. OF HOUSING & URBAN DEVELOPMENT</u>						
Housing Opportunities for Persons With AIDS, US Dept of Housing and Urban Dev.	14.241	HOPWA -07-02	2	\$12,565	\$0	\$12,565
Housing Opportunities for Persons With AIDS, US Dept of Housing and Urban Dev.	14.241	HOPWA -08-06	2	0	9,710	9,710
Total CFDA 14.421				\$12,565	\$9,710	\$22,275
TOTAL DEPT. OF HOUSING & URBAN DEVELOPMENT				\$12,565	\$9,710	\$22,275
<u>ENVIRONMENTAL PROTECTION AGENCY</u>						
Public Water/ DEQ Agency	66.468	S206	3	\$127,232	\$142,411	\$269,643
Total CFDA 66.468				\$127,232	\$142,411	\$269,643
TOTAL ENVIRONMENTAL PROTECTION AGENCY				\$127,232	\$142,411	\$269,643
<u>DEPT. OF HEALTH & HUMAN SERVICES</u>						
Project Life	93.048	HC593000	1	\$72,900	\$0	\$72,900
Project Life	93.048	HC603700	1	3,032	67,268	70,300
Project Life	93.048	HC641000	1	0	953	953
Total CFDA 93.048				\$75,932	\$68,221	\$144,153
Public Health Preparedness	93.069	HC613100		\$0	\$271,236	\$271,236
Total CFDA 93.069				\$0	\$271,236	\$271,236
Tuberculosis DOT	93.116	HC597900	1	\$1,563	\$5,071	\$6,634
Tuberculosis DOT	93.116	HC632100	1	0	6,663	6,663
Total CFDA 93.116				\$1,563	\$11,734	\$13,297
Family Planning Title X	93.217	HC576300	1	\$123,569	\$0	\$123,569
Family Planning Title X	93.217	HC605200	1	0	125,454	125,454
Total CFDA 93.217				\$123,569	\$125,454	\$249,023
Asthma	93.283	HC555200	1	\$906	\$0	\$906
Asthma	93.283	HC584100	1	14,000	12,263	26,263
Bioterrorism Surveillance and Epidemiology	93.283	HC561400	1	29,252	0	29,252
Bioterrorism Surveillance and Epidemiology	93.283	HC590800	1	122,769	9,504	132,273
Bioterrorism Surveillance and Epidemiology	93.283	HC616000	1	0	113,204	113,204
Public Health Preparedness	92.283	HC557100	1	99,785	0	99,785
Public Health Preparedness	92.283	HC588700	1	259,841	41,363	301,204
NEDSS	93.283	HC638200	1	0	2,358	2,358
Tobacco	93.283	HC542600	1	0	32,787	32,787
Tobacco	93.283	HC635900	1	0	10,468	10,468
Women's Health Check	93.283	HC572500	1	53,801	0	53,801
Women's Health Check	93.283	HC607600	1	0	4,630	4,630
Comprehensive Cancer control	93.283	HC572400	1	22,702	0	22,702
Comprehensive Cancer control	93.283	HC604500	1	0	23,625	23,625
Pandemic Flu	93.283	HC540100	1	61,658	0	61,658
Pandemic Flu	93.283	HC587800	1	79,279	20,721	100,000
PAN	93.283	HC575600	1	15,000	0	15,000
PAN	93.283	HC609100	1	0	16,000	16,000
Total CFDA 93.283				\$758,993	\$286,923	\$1,045,916
Immunization Reminder System	93.558	HC595700	1	\$37,126	\$0	\$37,126
Immunization Reminder System	93.558	HC610600	1	0	54,712	54,712
Total CFDA 93.558				\$37,126	\$54,712	\$91,838

The accompanying notes are an integral part of this financial schedule.

STATE OF IDAHO
EASTERN IDAHO PUBLIC HEALTH DISTRICT (VII)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2009

Program Title	Federal CFDA	Contract Number	Pass-Through Entities	Federal Expenditure FY 08	Federal Expenditures FY 09	Total Federal Expenditures
Daycare ICCP	93.575	WC056400	1	\$87,060	\$98,232	\$185,292
Total CFDA 93.575				\$87,060	\$98,232	\$185,292
Infant Toddler	93.778	7C095500	1	\$37,000	\$37,000	\$74,000
Total CFDA 93.778				\$37,000	\$37,000	\$74,000
HRSA	93.889	HC556500	1	\$13,377	\$0	\$13,377
ASPR	93.889	HC589500	1	254,421	0	254,421
ASPR	93.889	HC613700	1	0	73,524	73,524
ASPR Allotment	93.889	HC589500	1	16,595	166,017	182,612
ASPR Allotment	93.889	HC613700	1	0	186,190	186,190
Medical Reserve Corp	93.889	HC613700	1	0	2,693	2,693
Total CFDA 93.889				\$284,393	\$428,424	\$712,817
Ryan White II	93.917	HC450100	1	\$19,256	\$0	\$19,256
Ryan White II	93.917	HC602900	1	4,017	25,119	29,136
Total CFDA 93.917				\$23,273	\$25,119	\$48,392
HIV Prevention Project	93.940	HC536700	1	\$8,500	\$9,431	\$17,931
Total CFDA 93.940				\$8,500	\$9,431	\$17,931
HIV Surveillance	93.944	HC598600	1	\$3,390	\$110	\$3,500
HIV Surveillance	93.944	HC631300	1	0	2,959	2,959
Total CFDA 93.944				\$3,390	\$3,069	\$6,459
STD	93.977	HC599900	1	\$59,838	\$8,740	\$68,578
STD	93.977	HC634200	1	0	67,229	67,229
Total CFDA 93.977				\$59,838	\$75,969	\$135,807
Diabetes	93.988	HC570200	1	\$12,910	\$0	\$12,910
Diabetes	93.988	HC602600	1	12,383	5,117	17,500
Diabetes	93.988	HC637100	1	0	4,640	4,640
Total CFDA 93.988				\$25,293	\$9,757	\$35,050
Injury Prevention	93.991	HC563700	1	\$12,351	\$0	\$12,351
Injury Prevention	93.991	HC593700	1	0	15,388	15,388
Injury Prevention	93.991	HC623100	1	0	36,037	36,037
Total CFDA 93.991				\$12,351	\$51,425	\$63,776
CSHP	93.994	HC476400	1	\$30,000	\$7,500	\$37,500
CSHP	93.994	HC612200	1	0	30,562	30,562
Epidemiology (MCH)	93.994	HC563100	1	10,769	0	10,769
Epidemiology (MCH)	93.994	HC586500	1	20,216	3,528	23,744
Epidemiology (MCH)	93.994	HC624000	1	0	24,881	24,881
Oral Health	93.994	HC560800	1	9,837	0	9,837
Oral Health	93.994	HC592700	1	35,592	0	35,592
Oral Health	93.994	HC592700	1	0	28,869	28,869
Family Planning MCH	93.994	HC591700	1	84,733	0	84,733
Family Planning MCH	93.994	HC628300	1	0	78,516	78,516
Total CFDA 93.994				\$191,147	\$173,856	\$365,003
TOTAL DEPT. OF HEALTH & HUMAN SERVICES				\$1,729,428	\$1,730,562	\$3,459,990
TOTAL CASH EXPENDITURES				\$2,967,808	\$3,177,713	\$6,145,521
WIC Food vouchers (Non-cash)	10.557			\$4,388,036	\$4,970,222	\$9,358,258
Contraceptives (Non-cash)	93.217			102,946	94,883	197,829
TOTAL NON-CASH EXPENDITURES				\$4,490,982	\$5,065,105	\$9,556,087
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$7,458,790	\$8,242,818	\$15,701,608

Legend:

- 1= Idaho Department of Health and Welfare
2= Idaho Housing & Finance
3= Idaho Department of Environmental quality

The accompanying notes are an integral part of this financial schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

The CFDA refers to the *Catalog of Federal Domestic Assistance*, which is a government-wide list of individual federal programs. Federal award programs for which we could not determine a number are identified with the first two digits that identify the federal grantor department, followed by ".999."

NOTE 2. WIC FOOD VOUCHERS

The District uses the Idaho Department of Health and Welfare's determination of eligibility, if one exists, for clients participating in the Women, Infants and Children (WIC) program. If a client has not applied through Idaho Department of Health and Welfare for eligibility in federal programs, the District determines eligibility for participation in the WIC program using federal guidelines specific to the program. Within the WIC program, the District distributes food checks to clients and controls un-issued food checks. The Idaho Department of Health and Welfare issues and redeems food checks, controls the food checks issued, and reviews program compliance. The value of the food checks redeemed through the Idaho Department of Health and Welfare was \$4,388,036 for fiscal year 2008 and \$4,970,222 for fiscal year 2009.

NOTE 3. VALUE OF CONTRACEPTIVES

The District provides contraceptives on a sliding fee scale to eligible clients of the federally funded Family Planning, Title X program. The Idaho Department of Health and Welfare purchases the contraceptives and supplies them to the District as needed. The value of contraceptives supplied to the District by the Idaho Department of Health and Welfare was \$102,946 for fiscal year 2008 and \$94,883 for fiscal year 2009.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Basic Financial Statements

1. The independent auditor's report on the basic financial statements expressed an unqualified opinion.
2. The audit of the basic financial statements disclosed a significant deficiency that was considered a material weakness.
3. The audit did not disclose any instances of noncompliance considered material to the basic financial statements.

Federal Awards

4. The audit did not disclose any significant deficiencies in internal control over major programs.
5. The independent auditor's report on compliance for major programs expressed an unqualified opinion for all major programs.
6. The audit did not disclose any findings that must be reported in accordance with criteria in Section 510a of *OMB Circular A-133*.
7. Major programs are listed below:

<u>Program Title</u>	<u>CFDA Number</u>
WIC	10.557
Public Health Preparedness	93.069

8. The dollar threshold used to distinguish between Type A and Type B programs was \$471,048.
9. Eastern Idaho Public Health District (VII) did not qualify as a low-risk auditee as defined by *OMB Circular A-133*.

SECTION II. FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS

FINDING 2009S-1

Internal control weaknesses exist in the process for preparing the financial statements, note disclosures, and the Schedule of Expenditures of Federal Awards (SEFA).

Internal controls are essential to ensure that financial statements and related notes are accurate and complete. Although the overall internal control structure of the District is good, we identified the following errors and omissions:

- a) Transactions related to the receipt of donated buildings totaling \$569,000 were incorrectly included on the Statement of Revenues, Expenditures, and Changes in Fund Balance. The donation of a capital asset should only be included on the governmental financial statements if the asset is sold prior to the issuance of the financial statements. The inclusion of the donated portion of the buildings overstated both capital outlay expenditures and other financing sources.

- b) Donated buildings were included as a net amount in the general revenues section of the Statement of Activities. The forgiving of receivables totaling \$76,000 associated with the donations should have been included in the expenses section of the Statement of Activities instead of netted against the value of the donations.
- c) A WIC contract totaling \$282,000 was omitted from the SEFA.
- d) Payments of long-term debt totaling \$60,000 for fiscal year 2008 and \$63,000 for fiscal year 2009 were misclassified on the Statement of Revenues, Expenditures, and Changes in Fund Balance. Other financing uses were overstated, and debt service expenditures were understated.
- e) Unearned revenue of \$27,319 for fiscal year 2009 was inaccurately included in the reconciliation between the Statement of Net Assets and the Balance Sheet. As a result, these two financial statements did not agree as required.
- f) A loss of \$546,000 on the sale of a capital asset was properly disclosed on the Statement of Activities, but the required note disclosure was omitted. In addition, the sale involved a related party but this condition was not included in the related party note disclosure.
- g) The CFDA# for the Public Health Preparedness grant from the Idaho Department of Health and Welfare (IDHW) was reported on the SEFA in error. The formal grant agreement identifies the CFDA# as 93.283, but was reported as 93.069 based on an informal communication from IDHW.

Adjustments were made to the financial statements to correct the above conditions, except for item b).

RECOMMENDATION

We recommend that the District review internal controls over the preparation of financial statements, notes, and the Schedule of Expenditures of Federal Awards (SEFA), as well as strengthen the process to ensure that financial statements, note disclosures, and the SEFA are accurate and complete.

AGENCY'S RESPONSE AND CORRECTIVE ACTION PLAN

All of the material adjustments suggested by the auditors have been implemented on the financial statements for the years ended June 30, 2008 and 2009.

In the past year, our financial statements were completed to draft stage then submitted to an outside CPA with questions. They consulted with us on final presentation format. This procedure was not adequate by itself. We will continue to use outside consultation to assist in the review of our presentation and notes before submitting future financials to the Legislative Services Office for audit, since Legislative Services Office has reversed their decision to provide limited financial statement formatting consultations.

We will continue to educate inside financial statement preparation staff. We will begin to participate in the Idaho Public Health Fiscal Officer Work Group peer review of districts' financial statements, to the extent available to us.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

AGENCY RESPONSE



BONNEVILLE CLARK CUSTER FREMONT
JEFFERSON LEMHI MADISON TETON

Promoting the Health of People & Their Environment

July 19, 2010

Don Berg
Audit Supervisor
Legislative Services Office
Idaho State legislature
PO Box 83720
Boise, ID 83720-0054

Dear Mr. Don Berg:

I have reviewed the recently completed audit report of Eastern Idaho Public Health District for the Fiscal Years 2008 and 2009. The auditor's report notes one finding related to internal control weaknesses existing in the process for preparing the financial statements and note disclosures. The auditor recommendations have been considered and this is our response.

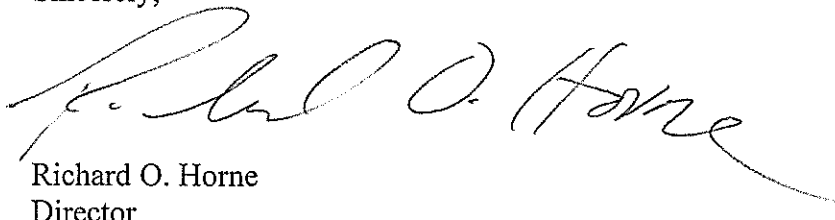
First, all of the material adjustments suggested by the auditors have been implemented on the financial statements for the years ended June 30, 2008 and 2009.

Second, in the past year our financial statements were completed to draft stage then submitted to an outside CPA with questions. They consulted with us on final presentation format. This procedure was not adequate by itself. We will continue to use outside consultation to assist in the review of our presentation and notes before submitting future financials to the Legislative Services Office for audit since Legislative Services Office has reversed their decision to provide limited financial statement formatting consultations. We will continue to educate inside financial statement preparation staff. We will begin to participate in the Idaho Public Health Fiscal Officer work group peer review of Districts financial statements, to the extent available to us.

I would like to thank you and your staff on the recently completed audit. Patrick Aggers, Jolene Crumley, and Sally Fong conducted themselves professionally in all aspects of the audit and were pleasant to work with. I appreciate the additional suggestions they made that will improve our daily operations.

Please extend my thanks to them.

Sincerely,



Richard O. Horne
Director

PRIOR FINDING AND RECOMMENDATION

FINDING 07S-01

Internal control weaknesses exist in the process for preparing the financial statements and note disclosures.

RECOMMENDATION

We recommended that the District review the internal controls over preparation of the financial statements and notes and strengthen the process as appropriate. The review should include the process for ensuring the completeness and accuracy of the financial statements and note disclosures.

AUDIT FOLLOW-UP

The District purchased resource materials to provide guidance on financial statements and note preparation and presentation. The District also contracted with an independent CPA to review the financial statement and notes.

STATUS – CLOSED

The finding was closed at the 90-day follow-up; however, it is repeated in this audit due to continued internal control weaknesses.

APPENDIX

HISTORY

The following is a chronological history of the basic health care services that the State has provided to the public.

- 1907 — The State Board of Health and counties that had local boards of health were statutorily authorized joint responsibility for public health.
- 1947 — A public health district law was enacted that permitted two or more counties to establish a public health district. Participation in the forming of the health districts was voluntary.
- 1970 — The legislature established a law that created seven mandatory public health districts. In the District Seven Health Department (VII), the counties designated were Bonneville, Clark, Custer, Fremont, Jefferson, Lemhi, Madison, and Teton.
- 1976 — Legislative intent was expressed that the health districts are not State agencies, and that they be recognized as authorized governmental entities.
- 1986 — Idaho Code was amended to allow district health departments to promulgate rules and regulations without the State Board of Health's approval.
- 1993 — The legislature clarified the need for health districts to use the Idaho Administrative Procedures Act for fees and rules.

PURPOSE

The District provides basic public health services as set forth in Idaho Code, including public health education, physical health, environmental health, public health administration and all things required for the preservation and protection of public health and preventive health, including response to bioterrorism.

STATUTORY AUTHORITY

The statutory authority for the District is found in Idaho Code, Title 39, Chapter 4.

ORGANIZATION

The District is supervised by a eight-member board appointed by the county commissioners in the counties served, plus one physician member, as allowed by Idaho Code, Section 39-411. Board members serve staggered five-year terms, and are reimbursed \$75 per working day plus all necessary travel expenses. The board appoints a director to administer and manage day-to-day activities of the District. Physicians provide medical consulting services to the District.

The District is organized into five major sections.

1. Division of Management Services. Provides supporting services including management, administration, public information, information technology, building maintenance, accounting, and government support services.
2. Division of Family and Community Health Services. Provides immunization, family planning, sexual transmitted disease information, school health, and crippled children's services; encourages lifestyle changes through health promotion and educational support.
3. Division of Environmental Health. Provides public water supply monitoring, public food establishment inspection, solid waste and subsurface sewage disposal approval, and other services to protect the health of the public and the environment.
4. Division of Nutrition. Provides the Women, Infant and Children (WIC) special supplemental nutrition program for eligible clients.

5. Division of Health Preparedness, Promotion and Surveillance. Provides services to ensure rapid recognition and response to potential bioterrorism, natural disasters, and disease outbreak events. Additionally, this section provides education and planning and coordination between counties, hospitals, and State and local emergency responders. It also provides epidemiological investigations of communicable diseases.

The District's central office is located in Idaho Falls, with eight satellite offices in Driggs, Dubois, Challis, Mud Lake, Rexburg, Rigby, St. Anthony, and Salmon. Additional organizational information is available at www2.state.id.us/phd7.

STAFFING

At the end of fiscal year 2009, the District had 74 full time employees and 45 part-time employees for a total of 119 employees including nurses, environmental health specialists, health educators, epidemiologists, clinical assistants, nutritionists, dental hygienists, and support staff.

FUNDING

Financing for the District comes from State General Fund appropriations; county contributions; contracts from federal, State, and private vendors; fees for providing client services; the sale of septic system permits; mortgage survey services; subdivision plan reviews; and food facility inspections. Also, some revenue is generated from donations. The amount included in the District's General Fund appropriation request is determined by Idaho Code, Section 39-425. The legislature sets the District's General Fund appropriation, which can be more or less than the amount requested.

The District also receives funds from contracts with the Idaho Department of Health and Welfare, the Idaho Department of Environmental Quality, cities, other governmental agencies, as well as fees for public health services, environmental inspections, and licensing.

EASTERN IDAHO PUBLIC HEALTH DISTRICT

